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Report Highlights: This report provides information on Vietnam's rice production and exports in the first seven months of 2002. Some weather problems -- drought in Coastal and Tay Nguyen (Central Highland) provinces and seasonal floods in the Mekong River Delta -- are also described. Due to previously signed contracts and surprisingly tight supplies, Vietnam's rice exports in the remaining months of 2002 will mostly go to fulfill Government to Government (G-G) contracts. Post keeps estimates of Vietnam's 2002 rice production and exports unchanged from previous report (July 2002 - VM2010).

Includes PSD changes: No
Includes Trade Matrix: No
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PRODUCTION

2002's Summer-Autumn (S-A) rice crop.

The S-A rice crop being harvested in Southern provinces. According to Ministry of Agricultural and Rural Development (MARD)'s July 25 report about 765 thousand hectares (tha) of S-A rice was harvested.

In Mekong River Delta (MRD), as of July 25, the crop area harvested was 701 tha, about 41% of the planted area. In MRD's key rice producing provinces such as An Giang and Dong Thap, 75-80% of planted S-A rice has been harvested. MARD estimated the crop yield in the MRD at 3.5-3.8 metric ton per hectare (mt/ha) and the crop production at 6.2 million metric ton (mmt), less than the previous crop by 370 thousand metric tons (tmt)

The unharvested S-A rice in MRD threatened by early flood.

According to the Department of Water and Irrigation Management (MARD), about 13,500 hectares of S-A rice were submerged by early flood in some of the MRD's provinces such as An Giang, Long An and Dong Thap. This flooding, a normal seasonal event, is a gradual rise in the rivers that slowly floods the fields but does not destroy the crop. So, despite the extra water in the fields, farmers have been able to harvest most of the crop. To minimize damage caused by the flooding, farmers were advised by MARD to quickly harvest the rice including fields that may have not been completely ready. Therefore S-A losses caused by the MRD flood are relatively minor.

The 2002's S-A rice crop in Coastal provinces and Tay Nguyen (Central Highlands) was seriously affected by drought. A prolonged drought (from April to July) affected rice production in those regions. Even with the existing irrigation system (gravity-fed canals and reservoirs) there was not enough water to adequately irrigate all the fields. According to a report from the Department of Water and Irrigation Management (MARD), as of the end of July, drought and dry conditions have affected more than 35 tha of S-A rice, of which 2,000 hectares were totally destroyed.

In Quang Nam province, there was about 5,000 ha of rice affected by dry conditions, of which 170 ha will not be harvested. More than 5,000 ha and 1,700 ha of S-A rice in Quang Ngai and Phu Yen provinces, respectively, were also affected by the lack of water. Similarly, there are 1,550 ha of the S-A rice in Dac Lak province waiting for water, of which 500 ha have totally wilted.

Post keeps estimate of Vietnam's 2002 S-A rice production unchanged as the impact of dryness on the S-A rice crop in the Coastal provinces was already estimated in July's report - VM2010.

2002/03 Lua Mua Crop.

The Lua Mua crop is being planted in all regions of Vietnam. According to MARD's July 25th statistical data, the total Lua Mua area already planted is 1,314 tha, of which 1,145 tha is in the Northern provinces and 168 tha is in the Southern provinces. Post retains its previous estimate of

the total Lua Mua crop area at 2,243 tha.

PRICE Exchange rate: VND 15,330 equal to \$1 as of August 13

Paddy (rough rice) price in the North.

In the last week of July and first days of August, paddy prices slightly increased by VND 30-50/kg as harvest of the Winter-Spring rice was completed and the rainy season is expected to arrive. Paddy prices in key Northern rice producing provinces such as Nam Dinh, Thai Binh are ranging from VND 1,900 to VND 2,000/kg. Prices of ordinary (milled, but low-quality) rice are stable at VND 2,800-3,300/kg. Higher quality (glutinous, colored, long-grain and other preferred varieties) rice ranges from VND 6,000-7,000/kg.

Paddy price in the South.

July's paddy prices in MRD provinces were down by VND 50/kg to VND 1,550-1,600/kg (for newly harvested S-A paddy) compared with the paddy price quoted in the last week of June due to increased rice supplies from the harvest of the S-A rice crop. In the first week of August, paddy prices in MRD's province have gone up by VND 20-50/kg as rice exporters are loading for G-G contracts and traders are worried about the rice supply from the S-A crop. Paddy prices quoted on August 8 in key MRD's provinces are as follows:

Long An	: VND 1,550-1,600/kg
An Giang	: VND 1,600-1,650/kg
Dong Thap	: VND 1,600-1,650/kg
Kien Giang	: VND 1,600-1,650/kg
Can Tho	: VND 1,550-1,620/kg

The price of 25% broken milled rice is ranging from VND 2,170 to 2,200/kg. Rice traders predict an increasing trend (over the next weeks) in the local paddy price due to low rice supplies.

Export price.

In the first week of August prices of Vietnam's export rice increased by \$2-5/mt, slightly up compared with prices quoted a week ago. On August 8, prices offered for 5% broken rice: \$192/mt (FOB Saigon); 10% br.: \$186/mt; 15% br.: \$178/mt and 25% br.: \$170/mt.

TRADE

Vietnam exported 1.75 million metric tons of rice in the first seven months of 2002.

According to the General Statistical Office (GSO), Vietnam exported 1.80 million metric tons (mmt) in the first seven months of 2002, down 31% in volume and 11% in value compared with the same period of last year. Rice was shipped mainly under Government to Government (G-G) contracts to Iraq, Indonesia, Cuba, Malaysia, and various African countries.

Traders estimate Vietnam's rice exports in January-July period at 1.75 mmt (below the GSO estimate due to shipping schedules and delays). Asian markets, including Indonesia, Malaysia and the Philippines, were the leading importing countries, buying more than 780 tmt (or 44% of total rice exported). Middle Eastern countries bought 416 tmt while rice buyers from several African countries imported about 213 tmt (see table 1)

Table 1: Vietnam's Jan-July Rice Export

Market	Quantity (mt)	Share (%)
ASIA	784,555	44.8
MIDDLE EAST	416,959	23.8
AFRICA	213,264	12.2
CUBA	152,110	8.7
EUROPE	90,195	5.2
UNKNOWN	93,792	5.4
TOTAL	1,750,875	100

Source: Traders

Table 2 presents Vietnam's rice export in the first seven months of 2002 by grades. About 37% and 36% of exported rice was medium quality (15% broken) and high quality (5% and 10% broken) respectively.

Table 2: Vietnam Jan-July Rice Export by Destinations

Grade	Quantity (mt)	Share (%)
High (5% and 10% br.)	633,908	36.2
Medium (15% br.)	648,078	37.0
Low (20%; 25% and 35% br.)	221,388	12.6
100% BR.	96,136	5.5
Unknown	151,365	8.6
TOTAL	1,750,875	100.0

Source: Traders

Ministry of Trade (MOT) estimates Vietnam 2002's rice export at 2.8-2.9 mmt.

According to a revised MOT estimate, Vietnam will only ship about 2.8-2.9 mmt of rice in CY-2002, including 950 tmt of signed contracts to be delivered in the last months of 2002. Out of the outstanding rice volume, 650 tmt is under G-G contracts (300 tmt to Iraq; 300 tmt to Indonesia and 50 tmt to Cuba).

In 2002, Vietnam's rice exporters face several obstacles -- including surprisingly tight domestic rice supplies. Newly harvested rice from the S-A crop in the MRD will be main rice crop used for export in the last months of 2002. According to the Ministry of Planning and Investment and MARD, all the rice stockpiled from 2002's Winter-Spring crop has already run out. Some of the General Statistical Office (GSO)'s experts were quoted as saying that high domestic

consumption and lower rice production are the main reasons for lower than expected rice supplies being available for export.

Markets for Vietnam's rice have narrowed. According to MOT, out of Vietnam's traditional 20-25 rice markets, six countries had to suspend their 'normal' imports of Vietnamese rice while the volume of rice exported to another ten markets has been reduced compared with last year.

Vietnam's rice exports in the last months of 2002 will mainly be loaded for G-G contracts. Rice exporters are hesitant to sign new contracts as they are worried about export rice availability. Due to the high export price of Vietnam's rice, rice importers are turning to cheaper rice sources and buying rice from Thailand, India and Pakistan.

Post keeps previous estimate of Vietnam's 2002 rice exports at 2.8 mmt.

Vietnam producing clean rice.

A Ho Chi Minh City-based company has worked with a cooperative in An Giang province to produce clean rice. By 'clean rice' they mean generally organic production techniques, but, depending on production problems, some use of agro-chemicals and fertilizers. However, producers try to restrict use of non-organic inputs so residue levels are well below international standards. The company educated farmers about the procedures for growing clean rice, supplied organic fertilizer (imported from U.S.), and taught them how to use it. The farmers also received organic substances from MRD's Rice Research Institute for pest management.

In 2002's W-S rice crop, the company signed contracts to grow 50 hectares of clean rice to produce about 300 metric tons of clean paddy. These farmers reportedly earned better profits than by growing ordinary rice. The company bought the clean rice at VND 2,200/ kg.

The company is building a rice mill outside HCMC with an annual capacity of 20,000 mt of rice. At present all the clean rice is sold within Vietnam, but the company hopes to increase production and begin to export in a few years.